

**Fiscal Year 2003  
Statutory Review of Compliance With  
Lien Due Process Procedures**

**February 2003**

**Reference Number: 2003-40-066**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

February 26, 2003

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

*Gordon C. Milbourn*

FROM: Gordon C. Milbourn III  
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Fiscal Year 2003 Statutory Review of  
Compliance With Lien Due Process Procedures  
(Audit # 200240066)

This report presents the results of our review to determine if the Notices of Federal Tax Lien (NFTL) filed by the Internal Revenue Service (IRS) complied with legal requirements set forth in Internal Revenue Code Section (I.R.C. §) 6320.<sup>1</sup>

When initial contacts by the IRS do not result in the successful collection of unpaid tax, the IRS has the authority to attach a claim to the taxpayer's assets, called a Federal Tax Lien, for the amount of unpaid tax liabilities.<sup>2</sup> Since January 19, 1999, I.R.C. § 6320 has required the IRS to notify taxpayers in writing within 5 business days of the filing of an NFTL.

The Treasury Inspector General for Tax Administration (TIGTA) is required to determine annually whether NFTLs filed by the IRS comply with the legal guidelines in I.R.C. § 6320.<sup>3</sup> This is the fifth audit performed on the IRS' compliance with the law and its own related internal guidelines when filing NFTLs.

In summary, the IRS did not completely comply with the law. A review of 300 NFTLs identified 12 NFTLs (4 percent) where the IRS did not comply with all the provisions of I.R.C. § 6320. The IRS correctly mailed the lien notices; however, it did not mail all lien notices timely. In addition, for another 16 NFTLs (5 percent), we could not determine if the IRS complied with the law because it did not provide proof of timely mailing. In 59 (20 percent) of the 300 NFTLs reviewed, the IRS did not follow its own internal

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<sup>1</sup> I.R.C. § 6320 (Supp. IV 1998).

<sup>2</sup> I.R.C. § 6321 (1994).

<sup>3</sup> I.R.C. § 7803(d)(1)(A)(iii) (Supp. IV 1998).

guidelines when issuing lien notices, including its guidelines for notifying taxpayer representatives and receipting and maintaining certified mail registers.

We are not making any recommendations at this time regarding internal guidelines. The IRS has plans to implement systemic changes to improve the notification of taxpayer representatives that will address a recommendation we made in the Fiscal Year 2002 report. The scheduled completion date for this action is January 2005. However, we did recommend that the Commissioner, Small Business/Self-Employed Division, consult with the Office of Chief Counsel to identify any actions necessary to correct the potential legal violations that the TIGTA identified in this audit.

Management's Response: The IRS agreed with our recommendation and plans to initiate corrective action. Specifically, the IRS will consult with Chief Counsel regarding proper actions to correct any potential legal violations in cases identified by the TIGTA.

Management's complete response to the draft report is included as Appendix VII.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendation. Please contact me at (202) 622-6510 if you have questions or Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 927-0597.

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Lien Due Process Procedures**

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## Fiscal Year 2003 Statutory Review of Compliance With Lien Due Process Procedures

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### Background

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When initial contacts by the Internal Revenue Service (IRS) do not result in the successful collection of unpaid tax, the IRS has the authority to attach a claim to the taxpayer's assets for the amount of unpaid tax liabilities.<sup>1</sup> This claim is referred to as a Federal Tax Lien.

Since January 19, 1999, Internal Revenue Code Section (I.R.C. §) 6320<sup>2</sup> has required the IRS to notify taxpayers in writing within 5 business days of the filing of a Notice of Federal Tax Lien (NFTL).<sup>3</sup> The IRS is required to notify taxpayers the first time an NFTL is filed for each tax period. The *Notice of Federal Tax Lien Filing and Your Right to a Hearing Under IRC 6320*<sup>4</sup> (lien notice) is used for this purpose and advises taxpayers that they have 30 days, after that 5-day period, to request a hearing with the IRS' Office of Appeals. The lien notice indicates the date this 30-day period expires.

This law also requires that the lien notice explain, in simple terms, the amount of unpaid tax, administrative appeals available to the taxpayer, and the provisions of the law and procedures relating to the release of liens on property. The lien notice must be given in person, left at the taxpayer's home or business, or sent by certified or registered mail to the taxpayer's last known address.

A synopsis of the IRS' collection and lien filing processes is included in Appendix V. A description of IRS computer systems used in the filing of liens is included in Appendix VI.

The IRS is filing an increasing number of NFTLs to protect the Federal Government's interest. Since the enactment of the law, the number of NFTLs filed has increased significantly from approximately 168,000 to 492,000 liens. The following chart shows the number of NFTLs filed in the last 6 fiscal years.

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<sup>1</sup> Internal Revenue Code § 6321 (1994).

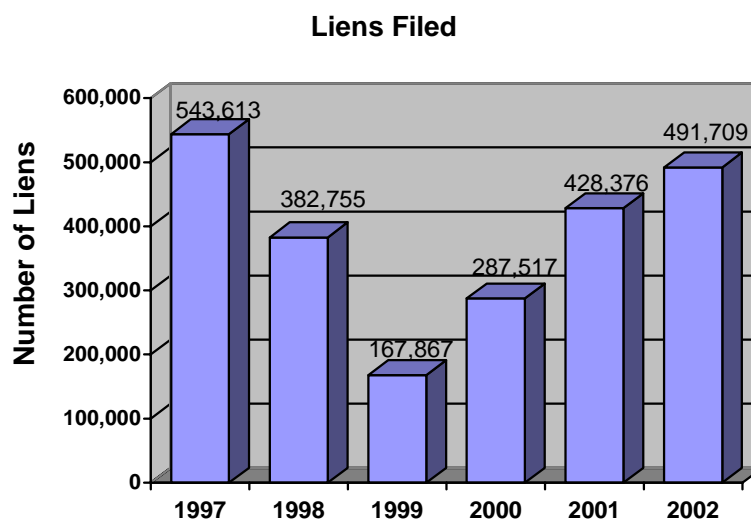
<sup>2</sup> I.R.C. § 6320 (Supp. IV 1998).

<sup>3</sup> *Notice of Federal Tax Lien Under Internal Revenue Laws* (Form 688-F; Rev.2-1985; Cat. No. 164R).

<sup>4</sup> *Notice of Federal Tax Lien Filing and Your Right to a Hearing Under IRC 6320* (Letter 3172 DO; 01-2000).

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Source: IRS Collection 5000-23 Reports.

The Treasury Inspector General for Tax Administration (TIGTA) is required to determine annually whether NFTLs filed by the IRS comply with the legal guidelines set forth in I.R.C. § 7803(d)(1)(A)(iii).<sup>5</sup> We performed our audit work between August and December 2002. Our review included a site visit to the Compliance function within the IRS' Small Business/Self-Employed (SB/SE) Division.

The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

### **Results of prior TIGTA reviews**

This is the fifth annual audit to determine if the IRS complied with the legal requirements of I.R.C. § 6320 and its own related internal guidelines. In the prior 4 years, the TIGTA reported that the IRS had not yet achieved full compliance with the law and its own internal guidelines. The TIGTA reported in Fiscal Year (FY) 1999 that 33 percent of NFTLs reviewed involved potential violations

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<sup>5</sup> I.R.C. § 7803(d)(1)(A)(iii) (Supp. IV 1998).

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### Not All Lien Notices Are Mailed Timely

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of taxpayer rights.<sup>6</sup> In FYs 2000,<sup>7</sup> 2001,<sup>8</sup> and 2002,<sup>9</sup> the TIGTA reported that 4, 8, and 9 percent, respectively, of the NFTLs reviewed did not comply with the law.

A review of 300 NFTLs identified 12 NFTLs (4 percent) where the IRS did not comply with all the provisions of I.R.C. § 6320. The IRS correctly mailed the lien notices; however, it did not mail all lien notices timely. For these 12 NFTLs, 13 lien notices<sup>10</sup> were not mailed within 5 business days after the day of the filing of the liens. The notices were, instead, mailed from 1 to 17 days late. In addition, for another 16 NFTLs (5 percent), we could not determine if the IRS complied with the law because it did not provide proof of timely mailing.

The IRS stated this happened because of various issues such as printer problems, management turnover, staffing issues, etc. If a taxpayer is not notified that an NFTL has been filed, he or she might not be aware of the right to appeal.

We estimate that taxpayer rights could have been affected for 14,695 NFTLs prepared between August 1, 2001, and June 30, 2002. In addition, delays in mailing the lien notices can reduce the time the taxpayers have to request a hearing to less than the 30-day period allowed by the law. These errors could result in potential violations of the taxpayer's rights should the taxpayer appeal the filing of the lien notice and the IRS deny the request for the appeal.

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<sup>6</sup> *The Internal Revenue Service Should Improve Its Federal Tax Lien Procedures* (Reference Number 1999-10-074, dated September 1999).

<sup>7</sup> *Compliance With Requirements for Notifying Taxpayers of Federal Tax Lien Filings Has Not Yet Been Achieved* (Reference Number 2000-10-152, dated September 2000).

<sup>8</sup> *Full Compliance With Requirements for Notifying Taxpayers of Federal Tax Lien Filings Has Not Yet Been Achieved* (Reference Number 2001-10-127, dated August 2001).

<sup>9</sup> *Compliance With Lien Notice Requirements Has Not Been Achieved* (Reference Number 2002-40-135, dated August 2002).

<sup>10</sup> One NFTL (one case) may require multiple lien notices since the IRS is required to separately notify taxpayers' spouses and business partners.

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### **The IRS National Headquarters NFTL compliance review identified similar potential violations of the law<sup>11</sup>**

The IRS annually performs a Compliance Lien Due Process Review to ensure that IRS procedures are being followed and that taxpayers' rights are being protected. The review includes analyses to determine if the IRS timely notified taxpayers of the filing of an NFTL; notified business partners, spouses, and taxpayers' representatives of the filing of an NFTL; and timely processed undelivered mail. The review also focuses on the cause of noncompliance with lien procedures and follows up with the appropriate offices to improve compliance with the lien process.

The IRS is in the process of finalizing a review of 230 NFTLs filed from January through August 2002. This review also identified that some lien notices were not mailed within 5 business days after the filing of the liens. The IRS' review draft results acknowledged the same causes previously identified to us; e.g., printer problems, management turnover, and staffing issues. We are not recommending any changes to the review process, since we do not believe the risk warrants additional procedures or reviews.

### **Recommendation**

1. The Commissioner, SB/SE Division, should consult with the Office of Chief Counsel to identify any actions necessary to correct the potential legal violations that the TIGTA identified in this audit.

**Management's Response:** As the IRS has done with cases identified in past audits, it will review the cases the TIGTA identified with Chief Counsel and discuss the actions needed to correct any potential legal violations.

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<sup>11</sup> The IRS and the TIGTA used different methodologies when conducting the NFTLs reviews; therefore, the results of the two reviews cannot be strictly compared.



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### **Taxpayer Representatives and Proof of Mailing Continue to Affect Compliance With Internal Guidelines**

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In 59 (20 percent) of the 300 NFTL cases reviewed, the IRS did not follow its own internal guidelines when issuing lien notices, including its guidelines for notifying taxpayer representatives and receipting and maintaining certified mail registers. In 2 of the 59 NFTLs, there were multiple violations of the internal guidelines.

#### **Notices were not always sent to taxpayer representatives**

For 45 (79 percent) of the 57 NFTLs<sup>12</sup> for which the taxpayer had a representative, a copy of the lien notice was not sent to the representative because of employee error. IRS procedures require that a copy of the notice be sent to the taxpayer's representative not later than 5 days after the notice is sent to the taxpayer, when an NFTL is filed on the assets of a taxpayer he or she represents. IRS employees requesting the NFTL and lien notice are responsible for forwarding, via facsimile or other manual means, the taxpayer representative information to the Automated Lien System (ALS) units so a copy of the lien notice can be sent. The ALS units are responsible for printing and mailing NFTLs and related lien notices.

Of the 45 NFTLs, 14 were initiated through the Automated Collection System (ACS). During our audit period, the IRS implemented programming changes to the ACS. Employees using the ACS now have the ability to electronically forward taxpayer representative information to the ALS units. However, the representative information must still be manually input by ALS unit employees to the ALS.

The other 31 NFTLs were initiated through the Integrated Collection System (ICS). In all 31 NFTLs, a revenue officer using the ICS did not document that he or she had requested a lien notice be sent to the taxpayer's representative. Revenue officers are required to document in the case history when they request a lien notice for taxpayers' representatives. Revenue officers' managers are also required to review case files for this documentation. In

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<sup>12</sup> Our review of 300 sample cases identified 57 cases where the taxpayer had a representative.

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addition, the IRS is designing a programming enhancement to the ICS similar to that in the ACS, so that the ICS will electronically forward taxpayer representative information to the ALS units.

### **Mail listings were not always retained**

For 16 NFTLs<sup>13</sup> (18 lien notices), the IRS could not provide proof of mailing because there were no certified mail listings on file, the listings were not date stamped to substantiate that notices were mailed to taxpayers, or the dates on the listings were not legible. IRS procedures require the retention of the date stamped copy of the listings for 10 years after the end of the processing year. Without the dated proof of mailing, the IRS may be unable to defend itself against a taxpayer's claim that he or she did not receive timely notice of the lien and was unaware an NFTL had been filed against his or her assets.

The processes for mailing the notices and obtaining the date stamp on the certified mail listings vary among offices. Some ALS units take the certified mail listings and notices directly to the United States Postal Service for mailing, while others rely on the IRS' Mailroom function to process the mail and obtain a date stamp on the listings.

The certified mail listings for 3 of the 16 NFTLs were destroyed when 1 of the 33 offices reviewed destroyed all of the certified mail listings for 6 months (July 1 through December 31, 2001). The listings were destroyed because of employee error. Recent management turnover and miscommunication contributed to the employee error.

### **The IRS National Headquarters NFTL compliance review identified similar instances of noncompliance with internal guidelines**

Draft results of the IRS' review identified retention, legibility, and maintenance of certified mail listings as a major area of noncompliance with internal lien processing guidance. The review also noted that taxpayer

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<sup>13</sup> These 16 NFTLs are those for which we could not determine whether the IRS complied with the law because it did not provide proof of timely mailing.

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representatives were not always provided with a copy of the lien notice.

These draft results are similar to those of this review. However, because of the difference in the sampling periods for the IRS' review and this review, the IRS did not identify the retention issue in the 1 office where, during a 6-month period, the certified mail listings were destroyed.

We are not making any recommendations at this time regarding internal guidelines. In response to the recommendation made in the TIGTA's FY 2002 report to improve issuance of notices to taxpayers' representatives, the IRS is planning to make programming changes to the ICS similar to those implemented for the ACS. Employees using the ICS will have the ability to electronically forward taxpayer representative information to the ALS units. The scheduled completion date for this action is January 2005.

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### Appendix I

#### Detailed Objective, Scope, and Methodology

The objective of this audit was to determine if the Notices of Federal Tax Lien (NFTL) issued by the Internal Revenue Service (IRS) complied with legal requirements set forth in Internal Revenue Code Section (I.R.C. §) 6320.<sup>1</sup> To accomplish the objective, we did the following:

- I. Followed up on issues identified in the prior years' reviews (undelivered mail and notices issued to taxpayers' business partners and taxpayer representatives) and discussed procedures with personnel in the Compliance function within the IRS' Small Business/Self-Employed (SB/SE) Division.
- II. Determined whether liens issued by the IRS complied with legal requirements set forth in I.R.C. § 6320 (a) and related internal guidelines. Specifically, we:
  - A. Obtained from the IRS an extract of 367,385 NFTLs prepared by the IRS nationwide on the Automated Lien System (ALS) between August 1, 2001, and June 30, 2002. We eliminated the refiled NFTLs since they do not require the issuance of a lien notice to the taxpayer. We validated the data by obtaining ALS screen printouts or research capability access to ALS databases and researched all sample cases on the ALS to verify the NFTLs were on the system and the fields selected contained accurate data.
  - B. Selected a statistically valid sample of 300 NFTLs for review from the extract in step II.A. We used attribute sampling and the following formula to calculate the minimum sample size (n) of 247, which we rounded to 300:

$$n = (NZ^2 p(1-p)) / (NE^2 + Z^2 p(1-p)).$$

N = Population (367,385) lien notices.

Z = Desired Confidence Level (90 percent).

p = Expected Error Rate (9 percent).

E = Precision Level (+ or -3 percent).

Subsequent to selecting our sample, we identified NFTLs missing from the population extract provided by the IRS. The IRS' ALS programmer informed us that 7,710 NFTLs from 1 office were mistakenly not included in the population. Outcome projections will be based on the provided 367,385 population and not the corrected population of 375,095. We would expect a similar error rate to pertain to the 7,710 cases not included in our original population.

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<sup>1</sup> Internal Revenue Code § 6320 (Supp. IV 1998).

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- C. Requested certified mail listings (Postal Service Form 3877) from 33 area offices for the sample cases identified in step II.B. and compared the lien notice filing (ALS print) dates to the dates on the certified mail listings to determine if the notices were mailed within 5 business days after the NFTLs had been filed.
  - D. Analyzed the 300 NFTLs by reviewing taxpayer data on the Automated Collection System,<sup>2</sup> the Integrated Collection System, the Integrated Data Retrieval System, the Master File, and the ALS to determine if the lien due process notices were issued to taxpayers, business partners, and spouses and were mailed to the correct addresses. A description of the IRS' computer systems used in the filing of lien notices is included in Appendix VI.
  - E. Provided and discussed NFTL exception cases with personnel in the SB/SE Division's Office of Compliance to determine cause and to obtain agreement to potential violations and corrective action, if appropriate.
- III. Determined if the NFTL compliance review provides an effective method to monitor and measure compliance with the law and related internal guidelines, and determined whether exception cases and findings identified through our sample were comparable with those in the IRS' review. We discussed the IRS review with the appropriate IRS employee and obtained a draft copy of the most recent results.

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<sup>2</sup> See Appendix VI for descriptions of these four computer systems.

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**Appendix II**

**Major Contributors to This Report**

Michael R. Phillips, Assistant Inspector General for Audit (Wage and Investment Income Programs)

Augusta R. Cook, Director

Paula W. Johnson, Audit Manager

Lynn Faulkner, Senior Auditor

Areta G. Heard, Senior Auditor

M. Jean Bell, Auditor

Vacenessia D. Brown, Auditor

Patricia A. Jackson, Auditor

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**Appendix III**

**Report Distribution List**

Acting Commissioner N:C  
Commissioner, Wage and Investment Division W  
Director, Compliance, Small Business/Self-Employed Division S:C  
Director, Compliance, Wage and Investment Division W:CP  
Director, Customer Account Services, Small Business/Self-Employed Division S:CAS  
Director, Customer Account Services, Wage and Investment Division W:CAS  
Director, Strategy and Finance, Wage and Investment Division W:S  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
Office of Management Controls N:CFO:F:M  
Audit Liaisons: Small Business/Self-Employed Division S:COM  
Wage and Investment Division W:CAS:SP

### **Outcome Measures**

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 14,695 Notices of Federal Tax Lien (NFTL) with legal violations of taxpayers' rights (see page 3).

Methodology Used to Measure the Reported Benefit:

From the nationwide statistically valid sample of 300 NFTLs,<sup>1</sup> we identified 12 NFTLs (4 percent) with potential legal violations of taxpayers' rights. We projected the findings to the total population provided by the Internal Revenue Service (IRS) of 367,385 NFTLs prepared by the Automated Lien System (ALS)<sup>2</sup> between August 1, 2001, and June 30, 2002. We estimated that similar taxpayer rights could have been affected in 14,695 NFTLs ( $12/300 \times 367,385$  population). We are 90 percent confident that the range of NFTLs affected by similar errors is between 14,254 and 15,136.

Taxpayer rights could be affected because the taxpayer not receiving a notice or receiving a late notice might not be aware of the right to appeal or have less than the 30-day period allowed by Internal Revenue Code Section 6320 to request a hearing. In addition, taxpayer rights could be affected when the taxpayer appeals the filing of the lien and the IRS denies the request for the appeal.

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<sup>1</sup> One NFTL may require multiple lien notices since the IRS is required to separately notify taxpayers' spouses and business partners.

<sup>2</sup> See Appendix VI for a description of this system.



**Synopsis of the Internal Revenue Service  
Collection and Lien Filing Processes**

The collection of unpaid tax begins with a series of letters (notices) sent to the taxpayer advising of the debt and asking for payment of the delinquent tax. The Internal Revenue Service's (IRS) computer systems are programmed to mail these notices when certain criteria are met. If the taxpayer does not respond to these notices, the account is transferred for either personal or telephone contact. A description of the IRS' computer systems used in the filing of lien notices is included in Appendix VI.

- IRS employees who make personal (face-to-face) contact with taxpayers are called revenue officers and work in the IRS' area offices. The computer system used in most of the area offices to track collection actions taken on taxpayer accounts is called the Integrated Collection System (ICS).
- IRS employees who make only telephone contact with taxpayers work in call sites in the IRS' Customer Service offices. The computer system used in the call sites to track collection actions taken on taxpayer accounts is called the Automated Collection System (ACS).

When these efforts have been taken and the taxpayer has not paid the tax liability, designated IRS employees are authorized to file a Notice of Federal Tax Lien (NFTL). Liens protect the Federal Government's interest by attaching a claim to the taxpayer's assets for the amount of unpaid tax liabilities. The right to file an NFTL is created by Internal Revenue Code Section 6321 (1994) when:

- The IRS has made an assessment and given the taxpayer notice of the assessment, stating the amount of the tax liability and demanding payment.
- The taxpayer has neglected or refused to pay the amount within 10 days after the notice and demand for payment.

When designated employees request the filing of an NFTL using either the ICS or the ACS, the NFTL requests from both systems are transferred to the Automated Lien System (ALS). All NFTLs are processed by the ALS unless there is an expedite situation, in which case the NFTL is manually prepared. Although they are manually prepared and not printed through the ALS, manual NFTLs are tracked and controlled on the ALS, and the lien notice is processed through the ALS. The ALS maintains an electronic database of all open NFTLs and updates the IRS' primary computer records to indicate that an NFTL has been filed.

Most lien notices are mailed to taxpayers by certified or registered mail rather than being delivered in person. To maintain a record of the notices, the IRS prepares a certified mail listing (Postal Service Form 3877) which identifies each notice that is to be mailed. The notices and a

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copy of the certified mail listing are delivered to the United States Postal Service. A postal employee ensures that all notices are accounted for, then date stamps the listing and returns a copy to the IRS. The stamped certified mail listing is the only documentation the IRS has that certifies the date the notices were mailed. The IRS' guidelines require that the stamped certified mail listing be retained for 10 years after the end of the processing year.

**Internal Revenue Service Computer Systems  
Used in the Filing of Notices of Federal Tax Lien**

**The Automated Lien System (ALS)** is a comprehensive database that prints Notices of Federal Tax Liens (NFTL) and lien notices, stores taxpayers' information, and documents all lien activity. Lien activities on both the Integrated Collection System and the Automated Collection System cases are controlled on the ALS by Technical Support or Case Processing functions in area offices. Employees in these offices process NFTLs and lien notices and respond to taxpayer inquiries using the ALS.

**The Integrated Collection System (ICS)** is an area office computer system with applications designed around each of the main collection tasks, such as opening a case, assigning a case, building a case, performing collection activity, and closing a case. The ICS is designed to provide management information, create and maintain case histories, generate documents, and allow on-line approval of case actions. Lien requests made using the ICS are uploaded to the ALS. The ALS generates the NFTL and related lien notices and updates the Internal Revenue Service's (IRS) primary computer files to indicate that an NFTL has been filed.

**The Automated Collection System (ACS)** is a computerized call site inventory system that maintains balance due accounts and return delinquency investigations. The ACS employees enter all of their case file information (on-line) on the ACS. Lien notices requested using the ACS are uploaded to the ALS, which generates the NFTL and related lien notices and updates the IRS' primary computer files to indicate that an NFTL has been filed.

**The Integrated Data Retrieval System (IDRS)** is an on-line data retrieval and data entry system that processes transactions entered from terminals located in both campuses and area offices. The system enables employees to perform such tasks as researching account information, requesting tax returns, entering collection information, and generating collection documents. The IDRS serves as a link from campuses and area offices to the Master File in order for the IRS to maintain accurate records of activity on taxpayers' accounts.

**The Master File** is the IRS' database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.

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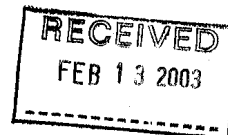
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**Appendix VII**

**Management's Response to the Draft Report**



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224



FEB 13 2003

**MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT**

**FROM:** Joseph G. Kehring  
Commissioner, Small Business/Self-Employed Division

**SUBJECT:** Draft Audit Report – Mandatory Review of Compliance  
With Lien Due Process Procedures  
(Audit # 200240066)

I have reviewed your draft report and agree with your recommendation. I am pleased you recognized our improvement in the lien process and the effectiveness of our internal compliance reviews in identifying issues. We are working to improve compliance with the requirements of Internal Revenue Code § 6320 and our internal procedures.

Management is working with field offices to address the untimely mailing of notices and the retention of proof of mailing documents. Staffing shortages were cited as the major contributing factor for the late mailing. We will address staffing shortages and provide additional procedural training to employees on the retention of certified mail documents.

We have requested a system enhancement that will improve the notification process of taxpayers' representatives. As noted in your review, this enhancement is scheduled to be in place by January 2005.

We will continue to consult the Office of Chief Counsel regarding corrective actions when we identify potential legal violations.

**RECOMMENDATION 1**

Consult with the Office of Chief Counsel to identify any actions necessary to correct the potential violations that the TIGTA identified in this audit.

**ASSESSMENT OF CAUSE**

We have not secured legal guidance on the potential legal violations from Chief Counsel.

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### **CORRECTIVE ACTIONS**

As we have in cases identified in past audits, we will consult Chief Counsel on potential legal violations. We will review the cases with Chief Counsel and discuss the actions needed to correct any potential legal violations.

### **IMPLEMENTATION DATE**

April 1, 2003

### **RESPONSIBLE OFFICIAL**

Director, Payment Compliance, Small Business/Self-Employed Division.

### **CORRECTIVE ACTION MONITORING PLAN**

The Program Manager, Technical and Insolvency Office, will advise the Director, Payment Compliance, Small Business/Self-Employed Division, of any delays in completing the corrective action.

If you have any questions, please call me at (202) 622-0600, or Joseph R. Brimacombe, Deputy Director, Compliance Policy, Small Business/Self-Employed Division, at (202) 283-2200.